

A N N U A L R E P O R T 1 9 7 3

AR48

COMMERCE
CAPITAL
CORPORATION
LIMITED



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CONSOLIDATED STATEMENT
OF SOURCE AND APPLICATION
OF FUNDS

AR48

COMMERCE
CAPITAL
CORPORATION
LIMITED

Interim Report
to Shareholders
For Six Months Ended
June 30, 1973

	(Unaudited)	
	Six months ended June 30	1972
	1973	
Source of Funds		
Net earnings	\$ 286,282	\$ 143,671
Items not involving funds — net	182,162	116,664
Issue of common shares ..	468,444	260,335
Decrease in cash and deposit receipts	689,400	210,000
Increase in guaranteed trust accounts	4,851,006	4,395,388
Increase in bank indebted- ness	8,395,479	2,748,480
Net increase in Series B bonds	—	364,000
Issue of notes payable ...	5,035,500	—
Net decrease in investment in properties	1,000,000	—
Net change in other assets and liabilities	—	152,570
	57,603	198,139
	<u>\$20,497,432</u>	<u>\$ 8,328,912</u>
Application of Funds		
Acquisition of shares of subsidiary companies ...	1,268,523	1,842,149
Purchase of securities less proceeds on sales ..	3,219,590	531,717
Net increase in investment in properties	1,751,025	—
Reduction of bank indebt- edness	588,000	—
Net increase in mortgages receivable	13,010,830	4,059,618
Purchase of fixed assets ...	360,906	33,388
Net change in accounts receivable and payable .	298,558	1,857,940
Net reduction in Series B bonds	—	4,100
	<u>\$20,497,432</u>	<u>\$ 8,328,912</u>

INTERIM REPORT TO SHAREHOLDERS

For Six Months Ended June 30, 1973

This is the first report to shareholders under our new name Commerce Capital Corporation Limited. As reported earlier, the Company's name was changed from St. Maurice Capital Corporation Limited in June, along with the consolidation of the Company's shares on a one-for-four basis and an increase in the authorized capital to 5,000,000 shares. The new shares are now listed on The Toronto Stock Exchange and the Montreal Stock Exchange and we urge all shareholders who have not already done so to exchange their old St. Maurice Capital shares for the new Commerce Capital shares.

We are pleased to present in this report the unaudited consolidated statements of earnings and source and application of funds for the first half of 1973, together with comparative figures for the same period last year. Most significant is the continuing growth in profits. Earnings before extraordinary items increased to \$247,241 from \$114,608 a year earlier. After taking into account the increased number of shares outstanding, this amounts to 11.0¢ per share compared to 8.3¢.

Farmers & Merchants Trust Co. Ltd. continued to expand its operations. A new branch was opened in Kamloops, British Columbia in May, bringing the total number of branches to eleven. During the second quarter, Farmers & Merchants acquired the 90% interest in St. Maurice Properties Limited held by Commerce Capital, a move aimed at improving the operating effectiveness of our real estate development activities which are centred in Western Canada. General Mortgage Corporation of Canada displayed a strong growth pattern during the first six months of the year, total assets increasing by 33% during the period. This expansion was financed by two Series B bond issues, each for \$3,000,000.

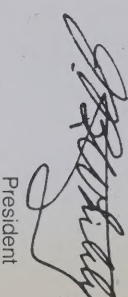
In June Mr. William Teron resigned as a director and Chairman of the Board of Directors prior to assuming his new position as President of Central Mortgage and Housing Corporation. We wish to thank Mr. Teron for the important contribution he made to the growth and development of the Company during his tenure.

Three new subsidiaries have been added to our group of companies since the first quarter report to shareholders:

- 1) In June we formed a mortgage lending company jointly with Mr. Charles Orenstein who was recently appointed to our Board. This 51% owned subsidiary, called Commerce Capital Financial Corporation, is located in Toronto and specializes in short-term real estate financing across Canada and some parts of the United States. Their lending program includes construction loans, land development loans, wrap around loans, gap loans and stand-by commitments.
- 2) In July we acquired an 80% interest in a recently formed factoring company in Montreal called Comcap Factors Inc. Operating under the direction of Mr. Robert H. Cameron, it engages in factoring and accounts receivable financing, handling both recourse and non-recourse accounts.
- 3) Later in July we purchased a 51% interest in D. J. Sinclair and Company Limited, a Toronto-based debt collection agency. With our financial backing it has embarked on a corporate expansion program, largely through the acquisition of other agencies, designed to make it a national agency.

We are enthusiastic about the future prospects for these three new subsidiaries and confident each will make a major contribution to the continuing growth in our consolidated earnings. Together with our new merchant banking division, their inclusion in the Commerce Capital Group broadens further our range of activities in the financial service industry.

Yours very truly,



President

Montreal, Quebec
August 23, 1973

CONSOLIDATED STATEMENT OF EARNINGS

	(Unaudited) Six months ended June 30	1972
Income		
Interest	\$4,024,388	\$3,095,532
Dividends	69,291	48,050
Other income	652,828	548,725
	<u>4,746,507</u>	<u>3,692,307</u>
Expenses		
Interest	3,137,887	2,408,429
Administrative and general expenses	<u>963,636</u>	<u>693,698</u>
	<u>4,101,523</u>	<u>3,102,127</u>
Earnings before Income Taxes, Minority Interest and Extraordinary Items	644,984	590,180
Income Taxes	274,535	264,031
	<u>370,449</u>	<u>326,149</u>
Minority interest	123,208	211,541
Earnings before Extraordinary Items	247,241	114,608
Extraordinary items		
Recovery of income taxes less minority interest thereon ..	39,041	27,458
Gain on investments	—	1,605
Net Earnings	\$ 286,282	\$ 143,671
Earnings per Share		
Before extraordinary items	11.0¢	8.3¢*
Net earnings	12.8¢	10.4¢*
Average number of shares outstanding	2,245,203	1,374,370*

*Restated to give effect to the one-for-four share consolidation which took place in June 1973.

HIGHLIGHTS

COMMERCE CAPITAL CORPORATION LIMITED

	1973	1972
Total Income	\$ 12,193,839	\$ 8,341,520
Earnings before Extraordinary Items	\$ 667,935	\$ 357,027
Per share	30 cents	25 cents*
Net Earnings	\$ 666,681	\$ 400,789
Per share	30 cents	28 cents*
Total Assets	\$146,594,275	\$91,900,936
Shareholders' Equity	\$ 7,044,969	\$ 5,688,888
Average Number of Shares Outstanding	2,258,061	1,441,037*
Approximate Number of Registered Shareholders	2,300	2,000
*Restated to give effect to the one-for-four share consolidation which took place in June 1973.		

COMMERCE CAPITAL CORPORATION LIMITED

Directors

T. L. CHARNE, Q.C., Winnipeg,
President,
Commerce Capital Properties Limited

M. GAASENBEEK, Toronto,
Vice-President,
Midland Doherty Limited

*D. C. HANNAFORD, Montreal,
President,
Mead & Co. Limited

R. B. LOVE, Q.C., Calgary,
Partner,
Macleod, Dixon

*P. E. MARTIN, Montreal,
President,
Canada Steamship Lines Limited

C. ORENSTEIN, Toronto,
President,
Commerce Capital Financial Corporation

D. A. ROSS, C.A., Calgary,
President,
Farmers & Merchants Trust Co. Ltd.

J. A. TIMMINS, Montreal,
Vice-President,
Aviation Services Division,
Rockwell International of Canada Limited

R. H. E. WALKER, Q.C., Montreal,
Partner,
Martineau, Walker, Allison,
Beaulieu, MacKell, & Clermont

*J. B. WHITELEY, Montreal,
President of the Company

Officers

J. B. WHITELEY,
President and Chief Executive Officer

T. L. CHARNE, Q.C.,
Vice-President

D. A. ROSS, C.A.,
Vice-President

D. M. THOMPSON,
Vice-President

E. D. BATEMAN, C.A.,
Secretary-Treasurer

Auditors

RIDDELL, STEAD & CO.
Montreal

Transfer Agent and Registrar

CANADA PERMANENT TRUST COMPANY,
Montreal, Toronto, Winnipeg, Regina,
Calgary and Vancouver

Stock Listings

THE TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE

Head Office

One Place Ville Marie, Suite 3424,
Montreal, Quebec. H3B 3N6

*Member of the Executive Committee

Subsidiary Operations

Farmers & Merchants Trust Co. Ltd.

209-8th Avenue S.W.,
Calgary, Alberta

J. B. WHITELY
Chairman of the Board

D.A. ROSS, C.A.
President

L. W. DerBACH
Vice-President and
General Manager

R. B. LOVE, Q.C.
Vice-President

A. G. DUCIE
Secretary-Treasurer

Commerce Capital Properties Limited

Three Lombard Place, Suite 575,
Winnipeg, Manitoba

D. A. ROSS, C.A.
Chairman of the Board

T. L. CHARNE, Q.C.
President

L. W. DerBACH
Vice-President

G. O. TERRY
Vice-President

A. G. DUCIE
Secretary-Treasurer

General Mortgage Corporation of Canada

8 King Street E., Suite 1801,
Toronto, Ontario

J. B. WHITELY
Chairman of the Board

D. A. ROSS, C.A.
President

C. J. CANN
Vice-President and Treasurer

L. STIMPSON
Vice-President and Secretary

W. DE LA ESPRIELLA
Assistant Treasurer

Commerce Capital Financial Corporation

121 Richmond Street W., Suite 203,
Toronto, Ontario

J. B. WHITELY
Chairman of the Board

C. ORENSTEIN
President

P. ORENSTEIN
Vice-President

N. R. STAGG
Vice-President

J. W. LEECH
Secretary

C. J. CANN
Treasurer

Comcap Factors Inc.

50 Cremazie Boulevard W., Suite 707,
Montreal, Quebec

J. B. WHITELY
Chairman of the Board

R. H. CAMERON
President

J. W. LEECH
Vice-President

P. G. S. BERNIER
Vice-President

E. D. BATEMAN
Secretary

L. MARTIN
Assistant Secretary

Merchant Banking Division

One Place Ville Marie, Suite 3424,
Montreal, Quebec

D. M. THOMPSON
Vice-President

President's Report

1973 was another year of impressive growth for Commerce Capital. New levels of achievement were attained in all important sectors as we further expanded and diversified our operations in the fields of financial services and real estate. The major part of this growth occurred internally through the expansion of existing subsidiaries, although an important contribution came from the formation of two new subsidiaries and one new operating division. This Annual Report, the first presented under our new name, traces the highlights of our performance during this eventful year.

Financial Performance

One of the most important measurements of our growth in 1973 was the increase which took place in total assets—up 60% from \$91.9 to \$146.6 million. Since these are income producing assets, principally mortgages, the impact on future earnings is very significant. This expansion in assets was largely financed through the deposit-taking programme of Farmers & Merchants Trust Co. Ltd., the sale of Series B Bonds by General Mortgage Corporation of Canada and an increase in bank indebtedness on the part of certain other subsidiaries.

Earnings before extraordinary items reached \$667,935, up from \$357,027 the previous year. This amounted to 30¢ per share compared to 25¢ in 1972, a gain of 20%. We believe this is a highly satisfactory rate of growth in earnings per share and one which is in line with the Company's long-term objectives. It



J. B. Whitely, President and Chief Executive Officer.

should be kept in mind that this increase is after taking into account a substantial increment in the average number of shares outstanding (2,258,061 compared to 1,441,037), primarily due to the public share financing completed at the end of 1972. In addition, it was achieved despite the adverse affect of a sharp increase in the level of short-term interest rates and, hence, our borrowing costs.

All of our subsidiaries shared in this successful performance, with our two public subsidiaries, Farmers & Merchants Trust and General Mortgage, each attaining record levels of mortgage activity and corporate earnings.

Mortgage Lending

Our principal activity continued to be mortgage lending —through Farmers & Merchants Trust, General Mortgage and one of our new subsidiaries, Commerce Capital Financial Corporation. During the year we placed a total of \$52 million in new mortgage loans, about double the amount in 1972. We provided mortgage financing for over 1900 new housing units, both single and multiple family, and numerous commercial and industrial buildings. In order to achieve these targets our mortgage production and administration staff was strengthened considerably both through the addition of experienced personnel and the intensification of in-house training programmes. We are now in a position to offer a broad range of mortgage lending services in most areas of Canada.

Real Estate Development

Our real estate development programme, carried out through Commerce Capital Properties Limited (formerly St. Maurice Properties Limited), advanced significantly during 1973. In the second quarter we sold our 90% interest in the company to Farmers & Merchants Trust with a view to improving operating effectiveness and consolidating our base in Western Canada. The move proved beneficial in a year which saw the pace of our development activities step up appreciably, including the commencement of construction of our first two shopping centres—one in Kenora, Ontario and the other in Estevan, Saskatchewan. Both are scheduled to open in mid-1974 and in each case, key tenant leasing and mortgage financing have been arranged. It is encouraging to see our shopping centre programme underway and we anticipate that several other centres will be completed during the next few years. With that in mind, Commerce Capital Properties has devoted, and will continue to devote, considerable time to the acquisition of suitable land positions at reasonable prices.

Trust Company Activities

Farmers & Merchants Trust experienced the most successful year in its history, with assets and earnings reaching new highs. Several new branches were opened in Western Canada as well as a mortgage office in Toronto. Mr. Donald A. Ross, President of the trust company, was also appointed President of General

Mortgage, a move which reflects the close working relationship developing between these two companies.

Farmers & Merchants Trust is our largest subsidiary and the most important contributor to our overall earnings. Their outstanding performance in 1973 was most gratifying. As for the future, we are confident that they will continue to expand in all facets of their business—near banking, mortgage lending, investment management, and estates, trusts and agencies activities. Because of this confidence, we increased our holdings in the trust company to 63.9% early in the year through the purchase of an additional 155,000 shares from other shareholders for a combination of cash and shares of Commerce Capital.

New Directions

In keeping with our policy of expansion, we once again spent a good deal of time during 1973 searching out and analyzing new business opportunities, including potential corporate acquisitions. The result was our entry into three new areas of activity.

In May we formed a merchant banking division headed by Mr. David M. Thompson who was appointed a Vice-President of the Company. Since its inception this new division has been actively involved in a variety of projects, including corporate private placements and large real estate financings.

In June we formed a short-term mortgage lending company with Mr. Charles Orenstein who was subsequently appointed to our Board. This 51% owned subsidiary, called Commerce Capital Financial Corporation, is located in Toronto and specializes in construction and development loans. It has grown at an impressive rate since mid-year and we look forward to its increasing contribution to our consolidated results in the future.

In July we acquired an 80% interest in a new factoring company in Montreal called Comcap Factors Inc. Under the direction of Mr. Robert H. Cameron, this subsidiary has made an excellent beginning in the field of accounts receivable financing. Factoring is an exciting new sector of the financial service business for us and we are confident that this company will be highly successful.

These new operations broaden further the scope of our financial service activities and provide additional diversification for our earnings base.

During the second half of 1973 we seriously explored the possibility of establishing a national debt collection agency through a series of corporate acquisitions, but decided in January, 1974 not to proceed with the plan due to the scarcity of suitable candidates.

Corporate Changes

A number of important corporate changes occurred in mid-year. First of all, we changed our name from St. Maurice Capital Corporation Limited to Commerce Capital Corporation Limited. Secondly, our shares were consolidated on a one-for-four basis. In addition, the authorized capital of the Company was increased

from 2,500,000 shares to 5,000,000 shares, on the new basis. All these changes were approved at a Special General Meeting of Shareholders held on June 7, 1973.

Changes in Directors

In June Mr. William Teron resigned as a director and Chairman of the Board, prior to assuming his new position as President of Central Mortgage and Housing Corporation in Ottawa. Mr. Teron's contribution to the successful development of the Company was considerable and we wish to thank him for his efforts and counsel.

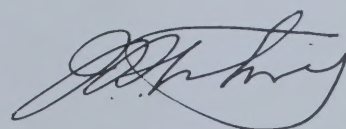
As mentioned earlier, Mr. Charles Orenstein was appointed to the Board in June. We are extremely pleased with this appointment and look forward to having the benefit of Mr. Orenstein's experience and knowledge in matters of finance and real estate.

Summary and Outlook

1973 was a successful year despite the obstacle of sharply rising borrowing costs. We believe this performance is due to our underlying policy of expansion and development—a policy adopted in 1970 and carried out since that time. We endeavour to be alert to new profit opportunities and to more advantageous methods of financing. In addition, we are constantly searching for additional people who can help us meet our objectives. For, in the final analysis, the difference is people, and in this regard we feel we have been exceptionally fortunate.

We remain a young, forward-looking company, working to produce a maximum return for the shareholders and committed to the goal of attaining the greatest possible annual increases in earnings per share consistent with reasonable risks. To do this we intend to pursue our existing plan of maintaining a strong rate of growth for existing operations and, when the opportunity arises, acquiring or forming new subsidiary operations.

We currently expect that the rate of growth achieved in 1973 will be maintained throughout 1974. Of course, this expectation can vary depending on many factors, some of which lie beyond our control. For example, should short-term rates decline further this year and long-term rates remain relatively high, our growth performance in 1974 could well exceed that of 1973. Regardless of developments which may take place in the economic and financial environment in which we operate, we will carry on our task of building an increasingly effective corporate organization and management team in order to ensure that the Company's forward progress continues.

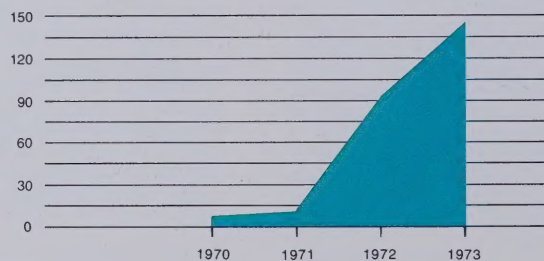


J. B. Whitely

Montreal, March 8, 1974

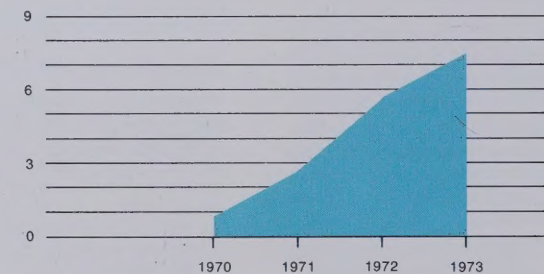
TOTAL ASSETS

millions of dollars



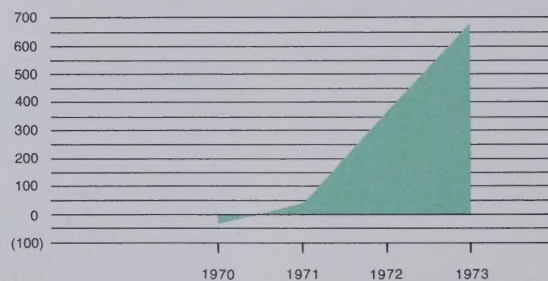
SHAREHOLDERS' EQUITY

millions of dollars



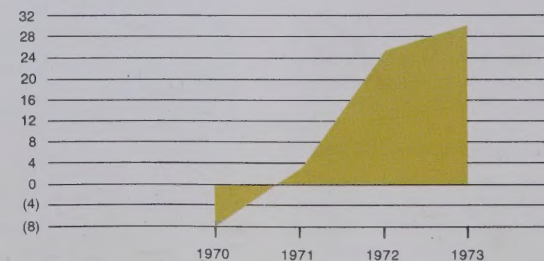
EARNINGS BEFORE EXTRAORDINARY ITEMS

thousands of dollars



EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS

cents



COMMERCE
CAPITAL
CORPORATION
/ LIMITED



AUDITORS' REPORT

To the Shareholders
Commerce Capital Corporation Limited

We have examined the consolidated balance sheet of Commerce Capital Corporation Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Commerce Capital Corporation Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For one subsidiary for which we are not the auditors we have carried out such inquiries and examinations as we considered necessary in order to rely on the report of the other auditor for purposes of consolidation.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell, Ehead & Co.

March 1, 1974.

COMMERCE CAPITAL CORPORATION LIMITED

Incorporated under the Canada Corporations Act
(formerly St. Maurice Capital Corporation Limited)

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended
December 31, 1973

	1973	1972
Income		
Interest	\$ 9,848,706	\$ 6,663,011
Income from all other sources	<u>2,345,133</u>	<u>1,678,509</u>
	<u>12,193,839</u>	<u>8,341,520</u>
Expenses		
Interest and amortization of financing expenses ...	7,586,854	5,223,586
Other administrative and general expenses	<u>2,752,762</u>	<u>1,726,137</u>
	<u>10,339,616</u>	<u>6,949,723</u>
Earnings Before Income Taxes,		
Minority Interest and Extraordinary Items	<u>1,854,223</u>	<u>1,391,797</u>
Income Taxes		
Current	579,577	472,019
Deferred	<u>275,768</u>	<u>139,549</u>
	<u>855,345</u>	<u>611,568</u>
	998,878	780,229
Minority Interest	<u>330,943</u>	<u>423,202</u>
Earnings Before Extraordinary Items	667,935	357,027
Extraordinary Items (Note 8)	<u>(1,254)</u>	<u>43,762</u>
Net Earnings	<u>\$ 666,681</u>	<u>\$ 400,789</u>
Earnings per Share (Note 9)		
Before extraordinary items	30¢	25¢
Net earnings	30¢	28¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended
December 31, 1973

Balance at Beginning of Year	\$ 651,379	\$ 250,590
Net earnings	666,681	400,789
Balance at End of Year	<u>\$ 1,318,060</u>	<u>\$ 651,379</u>

COMMERCE CAPITAL CORPORATION LIMITED

(formerly St. Maurice Capital Corporation Limited)

CONSOLIDATED BALANCE SHEET

as at December 31, 1973

	1973	1972
Assets		
Cash, deposit receipts and short-term notes	\$ 2,167,463	\$ 7,745,501
Marketable securities (Note 2)	29,400,512	26,849,489
Other securities—at cost less provision for loss	82,906	251,484
Mortgages, agreements and secured loans (Note 3) .	105,412,361	53,565,922
Accounts receivable, prepaid expenses and other assets	3,477,817	978,301
Investment in properties (Note 4)	4,098,728	1,850,586
Land, buildings, equipment and leasehold improvements—at cost less accumulated depreciation of \$267,082 (1972—\$211,316)	1,132,968	514,196
Excess of cost of shares over net book value of assets of subsidiary companies (Note 1)	821,520	145,457
	<u>\$146,594,275</u>	<u>\$91,900,936</u>
Liabilities		
Guaranteed trust accounts		
Savings deposits	\$ 13,019,934	\$10,720,271
Guaranteed investment certificates	92,740,123	59,122,592
	105,760,057	69,842,863
Bank indebtedness—secured	10,119,845	2,841,500
Notes payable	1,099,800	—
Accounts payable and accrued liabilities	1,894,104	826,172
Income taxes	558,975	396,173
Mortgages	365,248	256,118
Series B bonds (Note 5)	15,031,650	7,354,650
Deferred income (Note 6)	1,722,793	1,701,317
Deferred income taxes	489,085	213,317
Minority interest	2,507,749	2,779,938
	<u>139,549,306</u>	<u>86,212,048</u>
Shareholders' Equity		
Capital Stock (Note 7)		
Authorized; 5,000,000 common shares without nominal or par value		
Issued: 2,276,870 shares (1972—2,124,370 shares—restated)	5,726,909	5,037,509
Retained Earnings	1,318,060	651,379
	<u>7,044,969</u>	<u>5,688,888</u>
	<u>\$146,594,275</u>	<u>\$91,900,936</u>
Signed on Behalf of the Board:		
J. B. Whitely, Director		
R. H. E. Walker, Director		

**CONSOLIDATED
STATEMENT
OF CHANGES IN
FINANCIAL
POSITION**

for the year ended
December 31, 1973

	1973	1972
Source of Funds		
Net earnings	\$ 666,681	\$ 400,789
Items not involving funds—net	745,659	613,754
	<u>1,412,340</u>	<u>1,014,543</u>
Decrease (increase) in cash,, deposit receipts and short-term notes	5,578,038	(991,929)
Increase in guaranteed trust accounts	35,917,194	8,157,801
Issue of shares	689,400	2,534,740
Issue of notes payable	1,099,800	—
Net increase in Series B bonds	7,677,000	1,864,400
Increase in bank indebtedness	7,278,345	1,056,000
Net investment in subsidiary companies by minority shareholders	100,690	551,241
Net increase in mortgages payable	109,130	86,871
	<u>\$59,861,937</u>	<u>\$14,273,667</u>
Application of Funds		
Acquisition of shares of subsidiary companies	\$ 1,308,956	\$ 1,866,257
Net increase in mortgages receivable	51,786,471	9,165,503
Net change in accounts receivable and payable	1,118,058	1,157,155
Net increase in marketable and other securities	2,382,445	1,666,896
Net purchase of fixed assets	661,169	146,265
Net increase in investment in properties	2,319,935	96,557
Dividends paid by a subsidiary company to minority shareholders	74,876	39,796
Net change in other assets and liabilities	210,027	135,238
	<u>\$59,861,937</u>	<u>\$14,273,667</u>

COMMERCE CAPITAL CORPORATION LIMITED
(formerly St. Maurice Capital Corporation Limited)

**NOTES TO
CONSOLIDATED
FINANCIAL
STATEMENTS**

for the year ended
December 31, 1973

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the assets and liabilities of all subsidiary companies and the results of their operations and the changes in their financial positions from their respective dates of acquisition or incorporation.

During the year the company acquired an 80% interest in Comcap Factors Inc. and a 51% interest in Commerce Capital Financial Corporation and increased its interest in Farmers & Merchants Trust Co. Ltd. to 63.9%. The additional shares of Farmers & Merchants Trust Co. Ltd. were acquired from two directors of Commerce Capital Corporation Limited for a total consideration of \$1,262,500. Settlement was made by the payment of \$602,500 cash and the issuance of 550,000 common shares of the company at an effective valuation of \$1.20 per share (prior to the share consolidation outlined in Note 7).

The excess of the cost over the net book value of assets acquired is carried on the consolidated balance sheet without amortization.

2. MARKETABLE SECURITIES

	1973	1972
Held by subsidiary companies—at cost	\$29,400,512	\$26,792,882
Held by Commerce Capital Corporation Limited—at cost less provision for loss	—	56,607
	<u>\$29,400,512</u>	<u>\$26,849,489</u>
Quoted market value	<u>\$27,220,974</u>	<u>\$26,330,830</u>

3. MORTGAGES, AGREEMENTS AND SECURED LOANS

Included therein is an amount of \$7,400,000 representing a subsidiary company's beneficial ownership of interests in certain registered mortgages, which interests are held in trust for that subsidiary by an officer and director of the subsidiary, who is also a director of Commerce Capital Corporation Limited.

4. INVESTMENT IN PROPERTIES

	1973	1972
Rental properties—at cost	\$ 1,056,479	\$ 1,183,072
Accumulated depreciation	108,709	56,292
	<u>947,770</u>	<u>1,126,780</u>
Properties held for sale—at lower of cost and appraised value	422,324	345,300
Properties under development—at cost	<u>2,728,634</u>	<u>378,506</u>
	<u>\$ 4,098,728</u>	<u>\$ 1,850,586</u>

Properties under development pertains to the operations of a subsidiary real estate development company. All costs and expenses are capitalized and amortization to earnings will commence upon completion of the projects in progress.

5. SERIES B BONDS

These bonds have been issued by a subsidiary company and mature as follows:

	1973	1972
1973	\$ —	\$ 1,060,100
1974	115,500	76,000
1975	400,250	89,250
1976	4,204,500	4,043,500
1977	3,799,300	2,085,800
1978	6,492,100	—
1979	20,000	—
	<u>\$15,031,650</u>	<u>\$ 7,354,650</u>

6. DEFERRED INCOME

Deferred income pertains to the mortgage operations of two of the company's subsidiaries. One of the subsidiaries issues mortgages at a discount, and the other levies a service fee, both of which are deferred and taken into income over the term of the mortgages using the sum of the years' digits method.

7. CAPITAL STOCK

	Number of Shares	Amount
Balance—December 31, 1972	8,497,480	\$5,037,509
Shares issued as part payment for shares of a subsidiary company (see Note 1)	550,000	660,000
Exercise of options at \$0.49	60,000	29,400
	<u>9,107,480</u>	<u>5,726,909</u>
Reduction in number of shares due to one-for-four share consolidation	6,830,610	—
Balance—December 31, 1973	<u>2,276,870</u>	<u>\$5,726,909</u>

During the year the company obtained Supplementary Letters Patent confirming the reduction in the authorized and issued capital stock of the company on a one-for-four basis. The Supplementary Letters Patent also confirmed a subsequent increase in the authorized capital from 2,500,000 common shares to 5,000,000 common shares without nominal or par value.

Options granted to senior officers of the company for the purchase of 28,750 common shares remain outstanding. The options, exercisable on a cumulative basis over periods of five years from the dates they were granted, the last period of which terminates in 1976, range in price from \$1.96 per share to \$2.68 per share.

**Notes to
Consolidated
Financial
Statements**
(Cont'd)

8. EXTRAORDINARY ITEMS

	1973	1972
Recovery of income taxes otherwise payable which were assessed in prior years	\$ 87,567	\$ 157,883
Gain on sale of branch operations, net of applicable income taxes	—	98,973
	87,567	256,856
Minority interest	31,611	138,094
	55,956	118,762
Gain (loss) on securities	(57,210)	(75,000)
	\$ (1,254)	\$ 43,762

9. EARNINGS PER SHARE

Earnings per share in 1973 have been calculated based on the weighted average number of shares outstanding of 2,258,061. Fully diluted earnings per share have not been shown as the dilutive effect of all outstanding share options is not material. Earnings per share in 1972 have been restated for comparative purposes to give retroactive effect to the one-for-four share consolidation as outlined in Note 7.

10. STATUTORY INFORMATION

	1973	1972
Remuneration of Directors and Officers		
Number of directors	10	11
Directors' remuneration	\$ 21,600	—
Number of officers	5	4
Officers' remuneration	\$ 96,100	\$51,200
Number of directors who are also officers	3	3
Depreciation	\$114,190	\$77,941

11. COMMITMENTS AND CONTINGENT LIABILITY

A subsidiary real estate development company is committed under two construction contracts to spend \$3.8 million for the completion of two shopping centres under construction. Interim bank financing and long-term mortgage financing have been arranged for these projects.

The subsidiary company is also contingently liable as one of the guarantors of the bank indebtedness of a joint venture company in which the subsidiary has an interest.

REVIEW OF OPERATIONS 1973

The cover of this report was designed to illustrate the expansion which has taken place in Commerce Capital since 1970. The Company has changed greatly since that time, developing into a closely integrated group of companies providing financial services to an increasing number of Canadian customers.

During the year 1973, every subsidiary turned in an outstanding performance, each establishing record levels of activity. This Review of Operations will acquaint you with the various operations of the Commerce Capital Group and the people who make it work.



1. Estevan Shoppers Mall, a project of Commerce Capital Properties Limited, scheduled to open during the summer of 1974.
2. L. Stimpson, Vice-President, General Mortgage Corporation of Canada.
3. Comcap Factors Inc. executives, R. H. Cameron, President *right* and P. G. S. Bernier, Credit Manager *standing*, discuss the advantages of factoring with a new client.
4. Electronic data processing operation, Farmers & Merchants Trust Co. Ltd
5. E. D. Bateman, Secretary-Treasurer *left* and J. W. Leech, Executive Assistant to the President, Commerce Capital Corporation Limited





FARMERS & MERCHANTS TRUST CO. LTD.

Farmers & Merchants Trust Co. Ltd. offers a wide range of financial services to the public including savings and chequing accounts, guaranteed investment certificates, mortgage loans, registered retirement savings plans, investment and property management, corporate trust services and other estates, trusts and agencies services.

The Company, with its head office in Calgary, Alberta, operates through branch offices located in several Canadian provinces. During 1973, this branch system was expanded to twelve outlets with the opening of three new offices: a full-line branch in Kamloops, British Columbia, a suburban full-line branch in Calgary, Alberta (the second for this city), and a mortgage lending office in Toronto, Ontario. Late in the year, the Vancouver, British Columbia branch was relocated to a larger Company-owned building in order to provide better facilities required to house the rapidly expanding operation in that location. In addition, a site was acquired for a branch in Winnipeg, Manitoba, with construction scheduled to commence in mid-1974.

The year 1973 was a record one for Farmers & Merchants Trust; total assets broke through the \$100 million mark to \$117,029,495—a significant milestone in the Company's history. The largest increase came in the mortgage portfolio which grew through a net placement of \$37,837,000, an increase of 88% over 1972. A total of 1,100 mortgages were written during the year, including the financing of 850 housing units.

The principal reason for the Company's success has been its ability to maintain a good supply of deposit money. A policy of always offering attractive rates on Guaranteed Savings Certificates and deposit accounts has attracted in excess of 25,000 customers to its savings branches. As this family of customers has multiplied the trust company has been able to extend further the range of its fiduciary services.

One savings instrument which deserves special mention is the registered retirement savings plan offered by Farmers & Merchants Trust. Approved under the Canadian Income Tax Act, the plan affords to its customers the opportunity of obtaining substantial tax relief by setting aside a portion of their savings to provide for retirement income. The plan is offered in two forms: Plan A—a self-administered portfolio for the investor who wishes to select his own investments; and Plan B—a deposit account earning the same high rate of interest as paid on the Company's Five Year Guaranteed Savings Certificates.

Despite the spiralling money costs experienced throughout 1973, the Company's earnings before extraordinary items increased from \$729,180 to \$811,555, up 11%. In accordance with a dividend programme initiated in 1972, common share dividends increased from six cents per share in 1972 to sixteen cents in 1973. In March 1974, the quarterly dividend was raised from four to five cents per share.

As referred to elsewhere in this Report, Farmers & Merchants Trust entered the property development business in May 1973 through the purchase of a 90% interest in Commerce Capital Properties Limited. This subsidiary complements the Company's other real estate related activities.

1. An F&M teller assists one of the trust company's many new customers to open a savings account.
2. The Investment Committee discusses the economic outlook for the coming year: *left to right*, D. A. Ross, President; L. W. DerBach, Vice-President and General Manager; L. R. Lunn, Portfolio Manager; and R. B. Love, Vice-President.
3. The new MacLeod Plaza Branch in Calgary.

1 2



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Kenora Shoppers Mall, to open in mid-1974.



COMMERCE CAPITAL PROPERTIES LIMITED

Commerce Capital Properties Limited (formerly St. Maurice Properties Limited) is a Winnipeg-based real estate development company which specializes in the development and management of shopping centres. It has at present two shopping centres under construction, plus several sites for future development in various Canadian communities.

The year 1973 was a very significant one for Commerce Capital Properties; during the fall, construction began on its first two enclosed mall plazas, one in Kenora, Ontario and one in Estevan, Saskatchewan. The commencement of construction on these projects culminated many months of work, including the securing of key tenant leases and permanent mortgage financing.

Kenora Shoppers Mall—Situated on a 10-acre site in downtown Kenora, Ontario, this shopping centre will comprise 140,000 square feet of retail space and will provide parking for 680 automobiles. The department store will contain 67,510 square feet and has been leased to F. W. Woolworth Co. Limited. The supermarket tenant will be Dominion Stores Limited who have leased 20,124 square feet. Other prime tenants include: Bank of Montreal, Beaver Lumber Company Limited, Brewers Warehousing Company, Limited and National Drug. Lease negotiations are now in progress for the remaining space reserved for commercial rental units and a gas bar, with preference given to local merchants. The formal opening of this centre is scheduled for mid-1974.

Estevan Shoppers Mall—This shopping centre located on a 27-acre site in downtown Estevan, Saskatchewan, will consist of 178,000 square feet and parking for 1,050 automobiles. The main department store, with 66,654 square feet, has been leased to F. W. Woolworth Co. Limited. Canada Safeway Limited has leased the 22,000 square foot supermarket. A junior department store of 19,200 square feet will also form part of the shopping centre and has been leased to Robinson, Little and Company Limited. National Drug will occupy a 4,800 square

foot drugstore. Lease negotiations are proceeding for the balance of the commercial rental units, the auto service centre and the gas bar. The formal opening is planned for this coming summer.

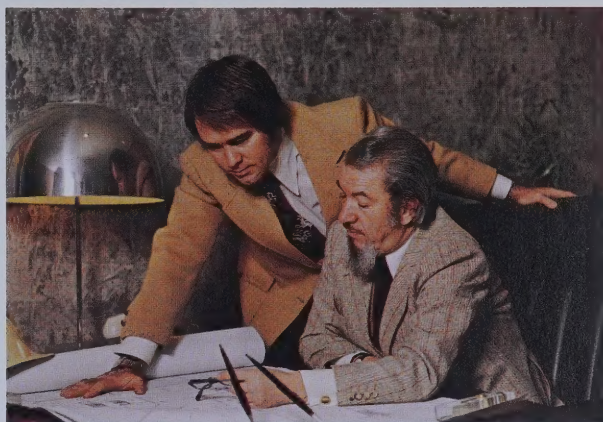
In April 1973, Trizec Equities Limited and The Bay were successful in rezoning a 40-acre site (Unicity Mall site) situated in the western part of Winnipeg, on the north side of Portage Avenue, across from the Glendale site which was previously under option to Commerce Capital Properties. Subsequent to the expiration of this option, the Company joined a consortium with Trizec and The Bay to develop a regional shopping centre on the Unicity Mall site. This will be a 600,000 square foot enclosed mall two-level shopping centre, with a Bay department store, a Woolco department store and possibly a third department store as the anchor tenants. Construction is expected to commence in the summer of 1974.

Throughout the year, plans progressed for several other shopping centres. This involved such activities as land rezoning, market and traffic flow studies, architectural design, major lease negotiations and financing.



T. L. Charne, President *left* and G. O. Terry, Vice-President, review plans for a possible future shopping centre development in British Columbia.

Commerce Capital Financial Corporation executives, C. Orenstein, President *right* and N. R. Stagg, Vice-President, evaluate the mortgage application for a condominium development near Toronto.



GENERAL MORTGAGE CORPORATION OF CANADA

General Mortgage Corporation of Canada is a Toronto-based mortgage company specializing in first mortgages on residential properties and, to a lesser extent, on commercial and industrial properties. It is a regulated public company operating under the provisions of the federal Loan Companies Act and, like Farmers & Merchants Trust, is a member of the Canada Deposit Insurance Corporation. Although the concentration of its mortgage lending programme is in Ontario, General Mortgage does business in certain other provinces and plans to diversify further geographically as its mortgage portfolio expands.

1973 was an excellent year for the Company despite the impact of rising borrowing costs. Net income amounted to \$137,664 compared to \$93,197 in 1972, a gain of 48%. This increase is consistent with the pattern of annual earnings growth started in 1970 when Commerce Capital acquired controlling interest; since that time, net income has nearly doubled.

The main activity continued to be the granting of conventional first mortgage loans. Over 400 mortgages were written during the year; included in these loans was the financing of approximately 500 housing units. In dollar terms, this meant a net mortgage placement of over \$10 million. These loans were financed primarily through the sale of five-year bonds to the public.

One innovative financing technique undertaken in late 1973 was the sale of shorter-term bonds on a tap basis. These bonds, with maturities from one to four years, are offered to the public on a continuous basis through a select group of investment dealers and through the branches of Farmers & Merchants Trust. This debt instrument has improved the flexibility of the Company's financing programme.

COMMERCE CAPITAL FINANCIAL CORPORATION

Commerce Capital Financial Corporation provides short-term mortgage financing, thereby complementing the mortgage lending programmes of Farmers & Merchants Trust and General Mortgage who are essentially long-term lenders. Short-term mortgage lending includes such activities as construction loans, land development loans, wrap-around loans, gap loans and stand-by commitments. Operating from Toronto, this new subsidiary makes loans on its own or in participation with other lenders in many provinces of Canada and in select areas of the United States.

The Company commenced operations in June 1973 and since that time has developed a substantial portfolio of mortgages, employing both its equity capital and funds borrowed from Canadian chartered banks. A diverse group of properties have been financed including condominiums, townhouses, nursing homes, apartments, shopping centres, industrial buildings and serviced land.

The following are examples of loans made by Commerce Capital Financial since its inception:

Malton, Ontario—an eighteen-month construction loan on a stacked townhouse project against a permanent loan commitment from an institutional lender; as advances are made under the permanent mortgage financing, the construction loan is paid out.

Moncton, New Brunswick—a two-year construction loan on a shopping centre project, providing the developer with funds prior to arranging permanent financing.

Metropolitan Toronto, Ontario—a two-year land loan to accommodate a proposed housing development.

COMCAP FACTORS INC.

Comcap Factors Inc. is a business service enterprise aimed at assisting Canadian growth-oriented companies to grow faster. This objective is met through the provision of a wide range of financial services related to factoring and tailored to satisfy each client's requirements. The central activity is factoring, a service whereby Comcap purchases its client's accounts receivable and bears both the risk of bad-debt losses and the expenses associated with the collection of these accounts. This is offered on both a recourse and non-recourse basis, and normally funds are advanced to the client prior to the collection of outstanding accounts receivable. Comcap also engages in import financing where funds are loaned against letters of credit. All clients receive professional credit approval, account collection and bookkeeping services, as well as business counselling and a variety of management information reports.

The Company, based in Montreal, commenced operations in July of 1973 and since that time has developed a base of quality accounts, utilizing its lines of credit arranged with Canadian chartered banks. Due to the fact that the textile and garment industries are the traditional mainstay of all factoring enterprises and that in Canada these activities are centered around Montreal, the majority of Comcap's accounts are located in this area. Clients associated with these sectors of manufacturing accounted for approximately 50% of the Company's factoring volume during 1973. The remainder of the business included importers, exporters, manufacturers and distributors of the following product lines: communication equipment, packaging materials, home and office furnishings, automobile trim, sporting goods, silk screen printing, steel rule dies, restaurant equipment and chrome plating. As Comcap develops and expands, it is anticipated that this client base will become further diversified from both a geographic and industry point of view.

MERCHANT BANKING DIVISION

The merchant banking division was established in May 1973, to provide certain services both to our own group of companies and to outside clients. Services offered include corporate private placements, merger and acquisition assistance, and mortgage banking.

The division was actively engaged in a number of such projects during 1973, with particular emphasis on real estate financing. For example, in June it arranged the long-term mortgage financing for Commerce Capital Properties' Kenora Shoppers Mall with a major Canadian life insurance company. Another project was the first mortgage financing for a downtown multi-purpose complex. This financing is expected to be in place during the first half of 1974. In addition, discussions are underway with a number of Canadian public corporations concerning possible bond financing in the Euro-dollar market; these efforts are being made in conjunction with certain European merchant bankers.



D. M. Thompson, Vice-President *right* discusses with J. B. Whitely the details of a private placement the merchant banking division is considering.

THE COMMERCE CAPITAL GROUP

**Farmers & Merchants
Trust Co. Ltd.**
Calgary, Alberta

Trust Company
63.9% owned by
Commerce Capital
Corporation Limited

**Commerce Capital
Properties Limited**
Winnipeg, Manitoba

Real Estate Development
90.0% owned by
Farmers & Merchants
Trust Co. Ltd.

**General Mortgage
Corporation of Canada**
Toronto, Ontario

Mortgage Lending
86.9% owned by
Commerce Capital
Corporation Limited

**Merchant Banking
Division**
Montreal, Quebec

Merchant Banking
A division of
Commerce Capital
Corporation Limited

Comcap Factors Inc.
Montreal, Quebec

Factoring
80.0% owned by
Commerce Capital
Corporation Limited

**Commerce Capital
Financial Corporation**
Toronto, Ontario

Short-Term
Mortgage Lending
51.0% owned by
Commerce Capital
Corporation Limited

